Focus 50+

NOVA SCOTIA
Senior Citizens' Secretariat

No 1: Focus on Automobile Insurance

Seniors' Safe Driving Committee
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Insurance Companies

Insurance companies are private, for-profit corporations whose primary business is to provide insurance protection to the public. Insurance companies issue *insurance policies* to consumers, outlining the terms and conditions of their insurance.

Each insurance company is unique. The type of insurance it provides, its rates, guidelines, and monthly payment systems are usually outlined it its personal *rate book*.

Insurance companies require a *license* to sell insurance in Nova Scotia. At present, *254 insurance companies* are licensed to sell insurance here, but not all choose to do so. Of those, more than 70 companies are licensed to sell automobile insurance.

How Insurance is Sold

Insurance products are generally sold by either an insurance company, through its own employee/agents, or by an *insurance agency* (also known as a *brokerage*), through its employees who are known as *insurance brokers*. Most Nova Scotians purchase their automobile insurance through insurance agencies.

Background

Rate increases for automobile insurance have raised numerous questions about the insurance industry including how the industry is structured, how rate increases are decided, and how seniors can "shop around" to get the best rates and coverage to meet their needs. This brochure is intended to provide answers to some of those basic questions.

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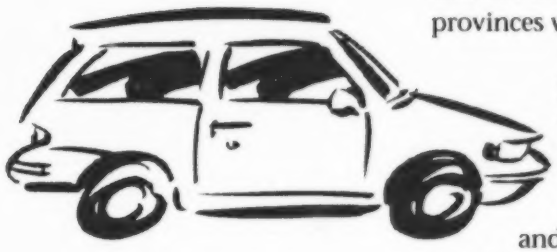
Insurance Agencies and Brokers

Insurance agencies apply to a number of insurance companies to sell their insurance products. If successful, they enter into contracts with those companies. When a client shops for insurance, the agency provides them with quotes from one or more of the companies it represents.

There are *232 insurance agencies* and approximately *2,000 brokers* licensed to sell insurance in Nova Scotia, including some from other provinces who are licensed to sell insurance in this province.



Sales Methods

The sales methods used by both insurance companies and insurance agencies vary. Some use traditional methods such as person-to-person contact, mail-outs, and media advertisements. Others use call-centres or the internet to sell their products.

Sometimes a third party, such as a national seniors organization, workplace, alumni association, or other group is used to market *group insurance* products on behalf of insurance companies or agencies. Since group insurance rates are often very competitive, they too should be considered along with any other quotes you receive.

Try Comparison Shopping

When purchasing insurance, it is wise to shop around. Since insurance agencies compete with each other for business, they will welcome your inquiries.

When comparison shopping, be sure to record the details of each quote, including:

- insurance rate
- amount and type of coverage
- name of the sponsoring insurance company.

Make sure you understand the terms of each quote you receive so you can determine how one product differs from another! Insurance policies can be confusing, so don't hesitate to ask your agent, broker, friend, or relative for help, if you need it.

Once you have made your first inquiry, you can tell subsequent insurance agencies that since you already have quotes from companies X and Y, you only require quotes from the other insurance companies they represent. This approach will prevent you from collecting the same information over and over again. Remember, if two brokers represent the same insurance company, their quotes for a particular product should be identical because the rates and details associated with that product are specified in the company's rate book.

Rising Insurance Rates

Insurance companies are in the insurance industry to make a profit. If company shareholders want to increase their profit levels, one option they have is to increase the company's insurance rates.

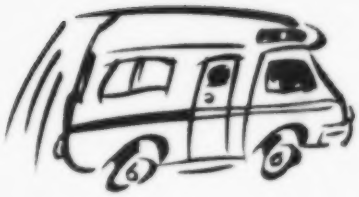
Insurance companies keep very detailed statistics on the drivers they insure, making it easy for them to determine the category of drivers or specific individuals they are losing money on. Sometimes all drivers are targeted for a rate increase and other times only a specific category of drivers is targeted.

Individual Insurance Rates

The automobile insurance rates charged to drivers for a specific insurance product can vary greatly. Many factors affect the rates you pay including:

- **Age of the driver** (rates for young male drivers are generally the highest).
- **Actual cash value of the vehicle** (depends on the model, year, and damagability of the vehicle – as determined by the cost of replacement parts, how expensive it is to fix, etc.).
- **Area where you live** (city, town, or rural setting).
- **Fire, theft, or vandalism** (some companies will not put collision or comprehensive coverage on older vehicles due to liability issues).
- **Mileage you drive per year** (the more miles per year, the higher the rate).
- **Crashes** (depends on the frequency and approximate cause. For instance, did your behaviour impact on the cause of a crash?).
- **Allowing other drivers to drive your vehicle, particularly those under the age of 25** (any crash they have will affect your policy).
- **Coverage** (liability amount).
- **Deductible** (the higher the deductible, the lower your rate will be).

This year, auto insurance rates are expected to increase for almost everyone. Why is this so?



Re-Underwriting Policies

Occasionally, an insurance company will decide to "re-underwrite" some of its insurance policies to ensure it is not losing money by insuring particular drivers or categories of drivers. As part of the re-underwriting process, it may pull the motor vehicle abstracts of all drivers in a certain age group to determine if their driving records warrant a rate increase. It might also review the driving records of individual drivers.

If the company discovers that a driver was involved in a crash that was not reported, such information could warrant a rate increase. The driving records of all drivers in a household covered by the same insurance policy could also affect the main policy-holder's insurance rate.

Information provided to insurance companies by the *Vehicle Information Centre of Canada* – the agency responsible for grading vehicles on their overall safety, can also affect insurance rates. Through rigorous testing, the centre identifies the safest vehicles, those with the most crashes, and those that are the most expensive to repair – due to the cost of replacement parts, etc.

Contact Information

If you have questions or concerns about your home or car insurance, contact the following:

Insurance Bureau of Canada (IBC)
Phone: (902) 429-2730
Toll Free: 1-800-565-7189
Fax: (902) 420-0157

Office of the Superintendent of Insurance, Nova Scotia
Phone: (902) 424-6331
E-mail: fininst@gov.ns.ca

For a listing of the insurance agencies or brokers nearest you, check your telephone directory or contact the following:

Insurance Brokers Association of Nova Scotia
Phone: (902) 876-0526
Fax: (902) 876-0527
E-Mail: info@ibans.com
Website: www.ibans.com

***Focus 50+**, No 1: Focus on Automobile Insurance,* was prepared by the Seniors' Safe Driving Committee of the Senior Citizens' Secretariat with assistance from IBC & the Office of the Superintendent of Insurance.

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